



Office of the District of Columbia Auditor

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**Audit of the Closure and Consolidation
of 23 D.C. Public Schools**

September 6, 2012

A Report by the Office of the D.C. Auditor
Yolanda Branche, D.C. Auditor

Table of Contents

Acknowledgements	Page 2
Agency Accomplishments.....	Page 3
Executive Summary.....	Page 4
Introduction.....	Page 6
Objectives, Scope and Methodology.....	Page 6
Background.....	Page 7
Findings and Recommendations....	Page 11
Conclusion.....	Page 18
Summary of Potential Savings.....	Page 20
Agency Comments.....	Page 23
Auditor's Response to Agency Comments.....	Page 28
Appendix 1.....	Page 34

Acknowledgements

The D.C. Auditor (Auditor) would like to thank the staff of the following agencies for their time, information, insight, and cooperation during the audit process: District of Columbia Public Schools (DCPS), the former Office of Public Education Facilities Modernization (OPEFM), now the Department of General Services, the former Department of Real Estate Services (DRES)¹, Office of the Chief Financial Officer (OCFO), D.C. Metropolitan Police Department (MPD), and the Office of the State Superintendent of Education (OSSE).

¹ Since the completion of the audit, pursuant to D.C. Law 19-0021, "Fiscal Year 2012 Budget Support Act of 2011," the Department of General Services assumed the functions of the Office of Public Education Facilities Modernization and the Department of Real Estate Services.

Agency Accomplishments

In September 2010, D.C. Public Schools published a report titled, "3 Years of Progress", noting the following accomplishments for DCPS:

- Achieved dramatic gains in reading and math for elementary and secondary students according to the D.C. Comprehensive Assessment System;
- Doubled the percentage of African American secondary students achieving advanced status in reading and math;
- Doubled the percentage of special education students achieving proficient status;
- Ratified a union contract for teachers increasing the compensation for highly effective teachers in high-poverty schools, making it possible for DCPS to recruit, hire, and retain the very best teachers;
- Implemented a rigorous new teacher evaluation system (IMPACT);
- Spent \$156 million on school construction in Ward 5 and \$133 million on school construction in Ward 8;
- Linked online access to more than 6,300 new school-based computers for teachers and school staff;
- Upgraded 51 school health suites;
- Created Early Stages, an innovative diagnostic center for children between the ages of two and five years old, helping parents identify any delays that a child might have and to provide appropriate services for help in addressing those delays; and
- Added more than 1,300 preschool, pre-Kindergarten, and Head Start seats across all eight wards.

Executive Summary

In 2008, then Mayor Adrian Fenty announced a plan that required the closure and consolidation of 23 District of Columbia Public Schools. The mayor described the closure and consolidation of the 23 schools as an effort to “consolidate resources in fully-functioning schools instead of spreading them out across buildings that are half-empty.” The Office of Public Education Facilities Modernization (OPEFM) managed the closure and consolidation of the 23 schools with the support of contractors.

The objective of this audit was to determine the cost of the closure and consolidation of the 23 schools.

OPEFM reported to the Council of the District of Columbia that capital costs to facilitate the closure and consolidation of the 23 schools were \$9.7 million. During the audit, we identified \$8 million of additional costs associated with school closures and consolidations for a total of \$17.7 million of costs that the District incurred to close and consolidate schools. Additionally, we found that school closures resulted in capital asset “impairment losses” of \$21.8 million. Including capital costs of \$9.7 million identified by OPEFM, additional costs of \$8 million identified by the Auditor and \$21.8 million of impairment losses, the cost for the closure and consolidation of 23 D.C. Public Schools totaled \$39.5 million.

The following are additional key findings from the audit:

1. OPEFM incorrectly reimbursed \$112,691 to Management Alternatives, Inc. (MAI) for project managers and move supervisors costs.
2. OPEFM expanded the scope of contract services and increased the contract value by \$550,000 without executing a proper contract document.
3. OPEFM improperly awarded MAI a \$32,307 bonus.
4. The contractors, MAI and Motir Services, Inc. (Motir), did not provide D.C. Public Schools with a complete and accurate inventory of the furnishings, fixtures, equipment, and educational materials for the 23 closed schools, as required by their contracts.
5. OPEFM paid \$5.8 million to contractors that failed to submit documentation to support invoices.

To address the key audit findings, we recommend that the Director of the Department of General Services (successor agency to OPEFM):

1. Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.
2. Contact the District of Columbia Attorney General regarding repayment by MAI of \$112,691 that the District improperly reimbursed MAI for the cost of project managers and move supervisors.
3. Develop a training program to instruct contracting officers, contracting officer technical representatives and contract administrators/monitors on properly executing contract award processes and requirements.
4. Contact the District of Columbia Attorney General regarding the repayment by MAI of the \$32,307 bonus that the District improperly paid MAI.

Given the \$39.5 million cost to close and consolidate schools, it was imperative that OPEFM properly managed school closure and consolidation contracts for compliance with all contract terms. We found that OPEFM did not consistently ensure that all school closure and consolidation contracts were properly, efficiently and effectively managed. As a result, the closure and consolidation process exposed the resources of the District of Columbia to waste and malfeasance.

Introduction

The audit of the June 2008 closure and consolidation of 23 District of Columbia Public Schools was part of the District of Columbia Auditor's (Auditor) discretionary authority to examine the operations and activities of District government agencies and instrumentalities.

Objectives, Scope, and Methodology

Audit Objective

The Auditor conducted an audit of the closure and consolidation of 23 District of Columbia Public Schools (DCPS) for School Years (SY) 2007 through SY 2009 to determine the cost of the closure and consolidation of the 23 schools.

Audit Scope

The initial audit period was SY 2007 through SY 2009; however, the scope was extended through September 30, 2010.

Audit Methodology

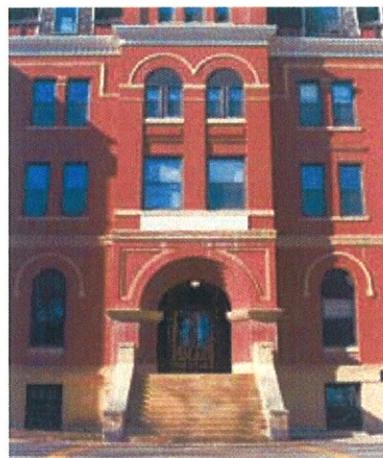
In conducting this examination, we reviewed the following: (1) relevant provisions of the D.C. Official Code (D.C. Code) and D.C. Municipal Regulations (DCMR); (2) relevant documentation; (3) DCPS and Office of Public Education Facilities Modernization (OPEFM) emails; and (4) written materials from the Office of the State Superintendent of Education, Department of Real Estate Services, Management Alternatives Inc., and D. C. Metropolitan Police Department. We interviewed DCPS and OPEFM staff, including: the DCPS Chief of Staff; DCPS Director of Compliance; OPEFM's Contracts and Procurement staff; OPEFM's Financial Systems Manager; OPEFM's Project Manager; and OPEFM's Program Director.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The mission of DCPS is to educate children in the District of Columbia by providing the knowledge and skills they need to achieve academic success and to choose a rewarding professional path.

In 2008, then Mayor Adrian Fenty announced a plan that required the closure and consolidation of 23 schools. He described the closure and consolidation of the 23 schools as an effort to “consolidate resources in fully-functioning schools instead of spreading them out across buildings that are half-empty.”



SCHOOL CLOSURE AND CONSOLIDATION

The 23 schools that were identified for closure were: Backus Middle, Benning Elementary, Bowen Elementary, Brookland Elementary, Bruce-Monroe Elementary, Choice and Taft Center, Clark Elementary, Douglass Transition Academy, Gage-Eckington Elementary, Gibbs Elementary, Hine Middle, J.F. Cook Elementary, M.M. Washington High, Merritt Middle, Meyer Elementary, Moten Elementary, P.R. Harris Education Center, Rudolph Elementary, Shaw Elementary, Slowe Elementary, Stevens Elementary, Turner Elementary, and Young Elementary. OPEFM² managed the closure and consolidation of the 23

² Effective September 14, 2011, pursuant to D.C. Law 19-0021 entitled, the “Fiscal Year 2012 Budget Support Act of 2011,” OPEFM was eliminated as a District agency and the Department of General Services (DGS) was established. DGS assumed the Department of Real Estate Services (DRES), Office of Public Education Facilities Modernization (OPEFM), Municipal Facilities: Non-Capital agency, and the capital construction and real property management functions of several other District agencies.

schools. The school closures and consolidations were scheduled to be completed in August 2008. However, the school closures and consolidations were not completed until November 20, 2008, because OPEFM amended the Inventory, Relocation, and Storage services contracts to expand the scope of services, increase the contractual amount, and extend the period of performance.

SCHOOL CLOSURE AND CONSOLIDATION COSTS

OPEFM reported to the Council of the District of Columbia (Council) that OPEFM had capital costs of \$9.7 million to facilitate the closure and consolidation of the 23 schools. We verified the capital costs that OPEFM reported to the Council. We also identified \$7,999,295 of additional costs associated with school closures and consolidations that OPEFM did not report to the Council. Detailed information regarding these costs for the closure and consolidation of 23 D.C. Public Schools is presented in Table I.

Table I. Total Costs for the Closure and Consolidation of 23 D.C. Public Schools

Service	Description of Service	Cost
Costs Reported to Council		
Inventory, Relocation, and Storage	<ul style="list-style-type: none"> ▪ Moving school assets from closed schools to a warehouse; ▪ Moving items from the warehouse to receiving schools; and ▪ Decommissioning³ the warehouse and moving furnishings, fixtures, equipment, and educational materials (FFE&EM) to Shaw Middle School for storage after the warehouse was decommissioned. 	\$9,746,737
Costs Identified by Auditor		
Inventory, Relocation, and Storage	<ul style="list-style-type: none"> ▪ Moving and relocation expenses for school closing costs funded under the Intra-District agreement between DCPS and OPEFM. 	\$3,098,447
Demolition	<ul style="list-style-type: none"> ▪ Demolition of Gage-Eckington in December 2009. ▪ Demolition of Bruce-Monroe in May 2010. 	\$3,345,748
Security	<ul style="list-style-type: none"> ▪ Cost for D.C. Protective Services to patrol closed schools in FY 2009. 	\$38,870
Bus Transportation to Receiving Schools	<ul style="list-style-type: none"> ▪ Transportation of displaced students from closed schools to alternate schools (receiving schools): Brookland to Bunker Hill; Bruce-Monroe to Park View; Meyer to K.C. Lewis; and Turner to Green for August 2008 through September 2009. 	\$1,516,230
Total Additional Costs Identified by Auditor		\$7,999,295
Total Costs for the Closure and Consolidation of 23 schools		\$17,746,032

IMPAIRMENT LOSS

In addition to the \$17.7 million of costs that the District incurred to close and consolidate schools, we found that the District also incurred capital asset “impairment losses” of \$21.8 million. A capital asset is considered impaired when the service utility of the capital asset declined significantly and unexpectedly. The closure of eight schools: Benning Elementary, Bruce-Monroe Elementary, Choice and Taft Center, Clark Elementary, Douglass Transition Academy, Gage-Eckington Elementary, J.F. Cook Elementary, and Slowe Elementary School resulted in permanent asset impairment, which required the value of the assets to be reduced from book value to fair market value. Table II presents impairment losses for 8 closed schools.

³ To decommission means to remove from service.

Table II. Public School Closures and Resulting Impairment Losses

School	2008 Impairment Loss (dollars in thousands)	2009 Impairment Loss (dollars in thousands)
Benning Elementary School	\$1,641	\$3,275
Bruce-Monroe Elementary School	0	\$1,523
Choice and Taft Center	\$3,084	0
Clark Elementary School	\$2,098	\$768
Douglass Transition Academy	0	\$1,275
Gage-Eckington Elementary School	0	\$2,927
J. F. Cook Elementary School	\$1,667	\$768
Slow Elementary	\$2,742	0
Total	\$11,232	\$10,536
Total FY 2008 and FY 2009 Impairment Losses		\$21,768

Source: FY 2008 and FY 2009 D.C. Comprehensive Annual Financial Report, Note 5, Capital Assets, pp. 86 and 82, respectively.

Including capital costs of \$9.7 million identified by OPEFM, additional costs of \$8 million identified by the Auditor and \$21.8 million of impairment losses, costs for the closure and consolidation of 23 D.C. Public Schools, totaled \$39.5 million.

Findings and Recommendations

OPEFM Incorrectly Reimbursed \$112,691 to MAI for Project Managers and Move Supervisors Costs

The OPEFM contract with Management Alternatives Inc. (MAI) provides that, “[t]he cost of project managers and supervisors shall not be reimbursable and is included in the Inventory and Relocation Fee . . .”

We reviewed 24 invoices submitted by MAI to OPEFM for payment for the period of June 2008 to February 2009. MAI submitted the invoices for project managers and move supervisors to OPEFM and OPEFM paid the amount invoiced by MAI. Out of the 24 invoices MAI submitted, 4 invoices included costs for project managers and move supervisors totaling \$112,691. Table III presents invoices totaling \$112,691 for non-reimbursable costs for project managers and move supervisors.

Table III. Project Managers and Move Supervisors Costs

Invoice Date	9/30/08	9/10/08	9/30/08	10/5/08	TOTAL
Work Dates	8/1/08-8/15/08	8/16/08-8/31/08	9/1/08-9/15/08	9/16/08-9/30/08	
Project Managers Cost	\$1,040	\$ 314	\$ 165		\$ 1,519
Move Supervisors Cost	\$ 950	\$68,751	\$27,951	\$13,520	\$111,172
Total Non-reimbursable Cost	\$1,990	\$69,065	\$28,116	\$13,520	\$112,691

Source: MAI invoices.

We determined that the incorrect payments were made for non-reimbursable costs because the Program Director, an OPEFM consultant, failed to properly review MAI's invoices.

We recommend that the DGS Director:

1. **Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.**
2. **Contact the District of Columbia Attorney General regarding repayment by MAI of \$112,691 that the District improperly reimbursed MAI for the cost of project managers and move supervisors.**

OPEFM Expanded the Scope of Contract Services and Increased the Contract Value by \$550,000 Without Executing a Proper Contract Document

D.C. Official Code, (2001) Ed. § 2-359.01 (a) provides that “[a] District employee shall not enter into an oral agreement with a contractor to provide goods or services to the District government without a valid written contract. A violation of this paragraph shall be cause for termination of employment of the District employee.” D.C. Official Code, (2001) Ed. § 2-359.01 (c) provides that “[e]xcept as authorized under subsection (d) of this section, a contractor who enters into an oral agreement with a District employee to provide goods or services to the District government without a valid written contract shall not be paid [Auditor’s Emphasis]. If the oral agreement was entered into by a District employee at the direction of a supervisor, the supervisor shall be terminated”

The original OPEFM contract with MAI provided for the inventory, relocation, and storage of furnishings, fixtures, equipment, and educational materials (FFE&EM) from the 23 closed and consolidated schools. Subsequently, OPEFM issued Change Order Number 1, which increased the original contract value by \$550,000 and expanded the original contract scope of services. Change Order Number 1, although written, was not signed or dated by OPEFM or MAI.

OPEFM’s Executive Director, who was also the Contracting Officer, did not ensure that Change Order Number 1 was properly executed. The OPEFM Senior Contract Specialist stated that at the time OPEFM issued Change Order Number 1, the organization was in its infancy. As a result, OPEFM had not implemented all the necessary systems and processes to ensure that all contracting actions were properly executed. Additionally, we found that OPEFM did not have written policies and procedures that required the Contracting Officer to verify that contracting documents; such as change orders, were signed. During the course of our audit, OPEFM issued policies and procedures that required the Contracting Officer to ensure and verify that contracting documents; such as change orders are signed.

OPEFM violated District law by expanding the scope of contract services and increasing the value of the original contract by \$550,000 without a valid contracting document. Without a properly executed contract, the District cannot verify that accurate payments were made.

We recommend that the DGS Director:

3. **Develop a training program to instruct contracting officers, contracting officer technical representatives and contract administrators/monitors on the proper execution of contract awards and contract processes and requirements.**

OPEFM Improperly Awarded MAI a \$32,307 Bonus

Section 3.5, referred to as “Project Goals” of the Moving, Relocation and Storage Services contract between OPEFM and MAI, stated that OPEFM would pay MAI an incentive bonus if MAI relocated FFE&EM from closed schools to receiving schools by August 20, 2008. The contract specifically stated that the project goal must be achieved by August 20, 2008, regardless of whether failure to meet the project goal was attributable to the contractor, its subcontractors, OPEFM or any third party.

We found that OPEFM paid MAI a \$32,307 bonus even though MAI did not finish relocating FFE&EM from the closed schools until October 2008, two months after the August 20, 2008, project goal.

The contract between MAI and OPEFM was signed on June 25, 2008. On July 3, 2008, OPEFM issued a “stop work order” that halted MAI’s performance until July 16, 2008. In addition to the stop work order, OPEFM also issued Change Order Number 2, which extended the contract’s period of performance to October 20, 2008. However, OPEFM did not amend or modify the original contract provision that required MAI to meet the project goal by August 20, 2008 in order to be paid the bonus. Consequently, the terms of awarding MAI the bonus remained unchanged.

The MAI invoice, dated November 28, 2008, included a request for the bonus payment. The invoice stated that MAI conducted work through October 21, 2008. The Program Director, an OPEFM consultant, improperly authorized and certified the November 28 invoice for payment. As a result, the Program Director failed to properly adhere to the terms of the contract regarding meeting the August 20, 2008 project goal. Consequently, MAI received payment for a \$32,307 bonus that MAI was not entitled to receive.

We recommend that the DGS Director:

4. **Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.**
5. **Contact the District of Columbia Attorney General regarding the repayment by MAI of the \$32,307 bonus that the District improperly paid MAI.**

The Contractors Did Not Provide DCPS with a Complete and Accurate Inventory of the Furnishings, Fixtures, Equipment, and Educational Materials for the 23 Closed Schools As Required by Their Contracts

As provided in their respective Inventory, Relocation and Storage service contracts, Motir Services, Inc. (Motir) and MAI were required to prepare an inventory survey of the furnishings, fixtures, equipment, and educational materials (FFE&EM) removed from the 23 closed schools.⁴

Motir and MAI were required to prepare an inventory survey that included:

- Tagging each item or box of furnishings, fixtures, equipment, and educational materials with a bar code;
- Preparing a log of the FFE&EM that included, at a minimum, (1) a description of the item; (2) its current location; and (3) a description of the item's condition (i.e. whether it is useable, un-useable or needs repair); and
- Maintaining an inventory log in a computer database, capable of being opened and accessed by Microsoft Access software.

We requested that OPEFM provide documentation to verify whether Motir and MAI complied with the inventory survey provisions of their respective contracts. We determined that

⁴ An inventory survey is the total piece count of each FFE&EM category, such as: the number of chairs, tables, musical instruments, computers, and desks. An inventory survey does not include individual identification of each piece of FFE&EM, but the total pieces in specific categories.

neither Motir nor MAI fully complied with the inventory survey provisions. Specifically, an inventory survey was not conducted for 9 of 23 schools. Fifteen schools did not have their items bar-coded. Twenty-three schools did not have a description of the items and the condition noted. Eighteen schools' inventories were not logged into a database. Table IV presents a summary of Motir's and MAI's performance.

Table IV. Motir's and MAI's Performance Regarding the Requirements of the Inventory Survey

	Inventory Survey conducted of FFE&EM	Barcode	Log included a description; current location; and "condition"	Inventory logged into a database
Number of schools that Motir/MAI complied with requirements	14	8	0	5
Number of schools that Motir/MAI did not comply with requirements	9	15	23	18
Total Closed and Consolidated Schools	23	23	23	23

What does this mean to you?

The District does not have an accurate record of furnishings, fixtures, equipment and educational materials that were removed from closed D.C. Public Schools.

The Program Director, an OPEFM consultant, stated that MAI and Motir were unable to meet the contract requirements because DCPS did not have the necessary staff to facilitate deadlines imposed by OPEFM. Another issue was the size of the relocation project.

Since MAI and Motir did not fully comply with contract terms by properly conducting an inventory of furnishings, fixtures, equipment, and educational materials, DCPS did not have an accurate inventory of the assets removed from the 23 closed schools. Without an accurate inventory, neither the Auditor nor OPEFM could properly and accurately account for all FFE&EM.

We recommend that the DGS Director:

6. **Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.**

OPEFM Paid \$5.8 Million to Contractors That Failed to Submit Documentation to Support Invoices

OPEFM contracts with Motir and MAI required that invoices be accompanied by supporting documentation, such as: timesheets for reimbursable labor, truck logs, and packing materials lists.

We found that MAI did not submit timesheets, truck logs, or packing materials lists for 19 of 24 invoices. Motir submitted timesheets for only 1 of 10 invoices. Additionally, Motir did not submit truck logs or packing materials lists for any of the 10 invoices. Consequently, the Auditor could not determine whether OPEFM properly paid \$1.9 million to Motir and \$3.9 million to MAI.

The Project Manager, an OPEFM consultant, stated that MAI and Motir did not submit certified payroll timesheets. The Project Manager stated that he observed Motir and MAI employees working. The Project Manager also stated that his observations were sufficient to support the conclusion that the contractors worked the hours reported.

OPEFM's failure to require the contractors to provide supporting documentation for invoice payment was in direct violation of their contract terms and exposed the District to possible fraudulent billing.

We recommend that the DGS Director:

- 7. Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.**

Conclusion

In 2008, then Mayor Adrian Fenty announced a plan that required the closure and consolidation of 23 District of Columbia Public Schools. The mayor described the closure and consolidation of the 23 schools as an effort to “consolidate resources in fully-functioning schools instead of spreading them out across buildings that are half-empty.”

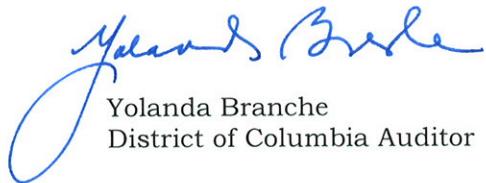
The Office of Public Education Facilities Modernization (OPEFM)⁵ managed the closure and consolidation of the 23 schools. OPEFM reported to the Council of the District of Columbia that capital costs to facilitate the closure and consolidation of the 23 schools were \$9.7 million. During the audit, we identified \$8 million of additional costs associated with school closures and consolidations for a total of \$17.7 million of costs that the District incurred to close and consolidate schools. Additionally, we found that school closures resulted in capital asset “impairment losses” of \$21.8 million. Including capital costs of \$9.7 million identified by OPEFM, additional costs of \$8 million identified by the Auditor and \$21.8 million of impairment losses, the cost for the closure and consolidation of 23 D.C. Public Schools totaled \$39.5 million.

During the closure and consolidation process, OPEFM paid contractors \$5.8 million without the required documentation to verify that work was actually performed, failed to properly execute a \$550,000 change order and did not have contractors provide D.C. Public Schools with the required inventory of the furnishings, fixtures, equipment, and educational materials that were removed from the 23 schools. Given the \$39.5 million cost to close and consolidate schools, it was imperative that OPEFM properly managed school closure and consolidation contracts for compliance with all contract terms.

⁵ Effective September 14, 2011, pursuant to D.C. Law 19-0021 entitled, the “Fiscal Year 2012 Budget Support Act of 2011”, OPEFM was eliminated as a District agency and the Department of General Services (DGS) was established. DGS assumed the Department of Real Estate Services (DRES), Office of Public Education Facilities Modernization (OPEFM), Municipal Facilities: Non-Capital agency, and the capital construction and real property management functions of several other District agencies.

We found that OPEFM did not consistently ensure that all school closure and consolidation contracts were properly, efficiently and effectively managed. As a result, the closure and consolidation process exposed the resources of the District of Columbia to waste and malfeasance.

Sincerely,



Yolanda Branche
District of Columbia Auditor

Summary of Potential Cost Savings, Increased Revenue, and Improved Efficiency Resulting From the Audit

	Finding	Recommendation	Increased Revenue	Cost Savings	Improved Efficiency
1	OPEFM Incorrectly Reimbursed \$112,691 to MAI for Project Managers and Move Supervisors Costs	Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.			x
		Contact the District of Columbia Attorney General regarding the repayment by MAI of \$112,691 that the District improperly reimbursed MAI for the cost of project managers and move supervisors.		\$112,691	
2	OPEFM Expanded the Scope of Contract Services and Increased the Contract Value by \$550,000 Without Executing a Proper Contract Document	Develop a training program to instruct contracting officers, contracting officer technical representatives and contract administrators/monitors on the proper execution of contract awards and contract processes and requirements.			x

	Finding	Recommendation	Increased Revenue	Cost Savings	Improved Efficiency
3	OPEFM Improperly Awarded MAI a \$32,307 Bonus	Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.			x
		Contact the District of Columbia Attorney General regarding the repayment by MAI of the \$32,307 bonus that the District improperly paid MAI.		\$32,307	
4	The Contractors Did Not Provide DCPS with a Complete and Accurate Inventory of the Furnishings, Fixtures, Equipment, and Educational Materials for the 23 Closed Schools As Required by Their Contracts	Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provides instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.			x

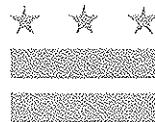
	Finding	Recommendation	Increased Revenue	Cost Savings	Improved Efficiency
5	OPEFM Paid \$5.8 Million to Contractors That Failed to Submit Documentation to Support Invoices	Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators /monitors that provides instructions on the (1) monitoring /documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.			X
	TOTAL			\$144,998	

Agency Comments

On May 21, 2012, the Office of the District of Columbia Auditor submitted the draft report titled, "Audit of the Closure and Consolidation of 23 D.C. Public Schools" for review and comment to the Director of the Department of General Services.

The Auditor received supplemental (revised) written comments from DGS on July 10, 2012. The supplemental written comments are attached to this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES



Office of the Director

July 10, 2012

Via Email

Yolanda Branche
District of Columbia Auditor
717 14th Street NW, Suite 900
Washington, DC 20005

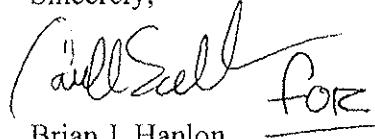
RE: **DGS Comments to Draft Report Entitled - Supplemental Response**
Audit of the Closure and Consolidation of 23 D.C. Public Schools

Dear Ms. Branche:

This correspondence serves as a follow-up to this agency's prior response dated June 13, 2012. As noted at that time, the agency's responses to Recommendations 1 and 6 required additional follow-up and a review of agency records to determine the accuracy of the information. We have concluded our review and supplemented our responses as provided in the attached summary table.

Please do not hesitate to contact Camille D. Sabbakhan, DGS Interim General Counsel, if you have questions or require additional information. She can be reached at 202.724.4170. Thank you again for the opportunity to provide comments in this matter.

Sincerely,



Brian J. Hanlon,
Acting Director

cc: Camille D. Sabbakhan, Interim General Counsel
Scott Burrell, Chief Operating Officer
Desiree Townes, Acting Chief of Staff
Ronald Gaskins, ODCA
Lawrence Perry, ODCA

Audit of the Closure and Consolidation of 23 D.C. Public Schools

Recommendations Summary Table – REVISED

Department of General Services

June 28, 2012

#	RECOMMENDATION	Agency Agrees Date Agency will Implement Recommendation	Agency Disagrees Alternative Recommendation
1	Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provide instruction on: (1) Monitoring/documenting contract deliverables, (2) Monitoring/documenting contractor performance, and (3) Certifying and authorizing contractor invoices.	The agency agrees with the importance of staff training to ensure that contracting staff members possess the requisite knowledge to administer contracts. All OPEFM contracting and procurement staff completed DCSS training through OCP as of August 30, 2011. The agency will require additional time to conduct an exhaustive review of invoices to verify whether MAI was paid improperly or whether some valid contractual basis existed for payment of the \$112,691 for project manager and move supervisor costs. This review will be completed by June 30, 2012.	<u>Finding No. 1 Supplemental Response:</u> OPEFM did not "incorrectly reimburse \$112,691 to MAI for project managers and move supervisor costs." Our subsequent detailed review of cited invoices confirms that costs are associated with approved change order work. The project management fee was only intended to cover work within the base contract. The change order provided a modified scope of work and payments made by OPEFM for project managers and move supervisors reflect permitted costs for the modified scope of work as negotiated and paid under the approved change order. Each invoice package makes specific reference to the change order work ("525 Requests, 6th Grade Transitions, . . .). Additionally, the project management and move supervisor costs are also appropriate equitable adjustments under the Changes

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			section of the Contract.
2	Contact the District of Columbia Attorney General regarding repayment by MAI of \$112,691 that the District improperly reimbursed MAI for the cost of the project managers and move supervisors	To the extent the agency's review of the invoices reveals that MAI was paid \$112,691 improperly, the agency agrees to initiate appropriate action to recover improperly paid funds, including referral to the Office of the Attorney General for collection, within thirty (30) days of conclusion of our review of invoices.	Please see above response for this Recommendation associated with Finding No. 1
3	Develop a training program to instruct contracting officers technical representatives and contract administrators/monitors on properly executing contract award processes and requirements.	The agency agrees with the importance of staff training to ensure that contracting staff members possess the requisite knowledge to administer contracts. All OPEFM contracting and procurement staff completed DCSS training through OCP as of August 30, 2011. Additionally, as provided in the draft report, current DGS procurement policies and procedures require the Contracting Officer to verify that contracting documents are executed prior to contract performance.	
4	Contact the District of Columbia Attorney General regarding the repayment by MAI of the \$32,307 bonus that the District improperly paid MAI.		Finding No. 3 Response: Although changes in the performance requirements necessary to receive the bonus should have been reflected in a contract modification, MAI satisfied the agency's revised timeline and deliverables as communicated to MAI by the agency, and

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			accordingly, the bonus was deemed appropriate. Therefore, legal action to now collect the bonus from MAI would not be appropriate. In the future, the agency will reflect such changes as a modification of the contract signed by the Contracting Officer.
5	Formally designate in writing the assignment of a contracting officer technical representative and the respective roles and responsibilities of the contracting officer technical representative.	The agency agrees with formal designation of a COTR to assist in contract administration. However, the agency disagrees with the finding and basis for the recommendation. Neither DCPS nor OPEFM intended to or required an inventory all assets. The District required and the contractors inventoried only those assets retained by DCPS. Going forward, the agency will more clearly provide the contract requirements in the scope of services to avoid ambiguity related to the actual services provided by the contractors.	Finding No. 4 Response: The agency disagrees with the finding and basis for the recommendation. Neither DCPS nor OPEFM intended to or required an inventory of all assets. The District required and the contractors inventoried only those assets retained by DCPS.
6	To correct the deficiencies noted in Findings 3,4 and 5, we recommend that DGS develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provide instruction on: (1) Monitoring/documenting contract deliverables, (2) Monitoring/documenting contractor performance, and Certifying and authorizing contractor invoices.	The agency agrees with the importance of staff training to ensure that contracting staff members possess the requisite knowledge to administer contracts. All OPEFM contracting and procurement staff completed DCSS training as of August 30, 2011. However, the agency disagrees with the basis for the recommendation and the finding that OPEFM paid \$5.8 million to contractors who failed to provide documentation for invoices. Contrary to the assertion provided in the Report, OPEFM	<u>Finding No. 5 Supplemental Response:</u> Detailed review of invoices confirms that the 'RFP Template' was used as the basis for evaluating and approving payments. Contractor's proposal included a 'loaded' RFP Template for each school which established the expected cost 'baseline' for each school, and the original NTE value

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		utilized an RFP template, not certified payroll timesheets, as documentation for payments. OPEFM paid invoices based on the costs of tasks reflected in the RFP template. The agency will require additional time to conduct an exhaustive review of agency records to confirm that contractors submitted the requisite documentation to support invoices in the amount of \$5.8 million. This review will be completed by June 30, 2012.	of the base contract. A copy of the 'RFP Template' is attached; the contract's Unit Rates are established via this Exhibit C.

Auditor's Response to the Comments of the Department of General Services

The Auditor appreciates the comments provided by the Department of General Services on the draft report.

Specifically, the Auditor requested that the Director of DGS:

- address each recommendation included in the report;
- indicate whether DGS agreed or disagreed with each recommendation;
- if DGS agreed with the recommendation, provide a timeframe for the implementation of the recommendation; and
- if DGS disagreed with the recommendation, suggest an alternative recommendation to address the audit finding.

The Auditor offers the following responses to comments provided by DGS.

1. **Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provide instructions on the (1) monitoring/documenting of contract deliverables; (2) monitoring/documenting of contractor performance; and (3) certification and authorization of contractor invoices.**

The Department of General Services' Response:

The agency agrees with the importance of staff training to ensure that contracting staff members possess the requisite knowledge to administer contracts. All OPEFM contracting and procurement staff completed DCSS training through OCP as of August 30, 2011.

Auditor's Response:

According to the Office of Contracting and Procurement website, the District of Columbia Supply Schedule (DCSS) "...is the city's multiple award schedule procurement program for providing commercial products and services to District government agencies." DCSS training is focused on successful operation of the DCSS program. The Auditor stands by the recommendation for training focused on monitoring/documenting contract deliverables and contractor performance, and certifying/authorizing contractor invoices for all DGS contract awards.

2. Contact the District of Columbia Attorney General regarding repayment by MAI of \$112,691 that the District improperly reimbursed MAI for the cost of the project managers and move supervisors.

The Department of General Services' Response:

OPEFM did not "incorrectly reimburse \$112,691 to MAI for project managers and move supervisor costs." Our subsequent detailed review of cited invoices confirms that costs are associated with approved change order work. The project management fee was only intended to cover work within the base contract. The change order provided a modified scope of work and payments made by OPEFM for project managers and move supervisors reflect permitted costs for the modified scope of work as negotiated and paid under the approved change order. Each invoice package makes specific reference to the change order work ("525 Requests, 6th Grade Transitions,...). Additionally, the project management and move supervisor costs are also appropriate equitable adjustments under the Changes section of the contract.

Auditor's Response:

The Auditor does not accept DGS' response to this recommendation.

DGS maintains that the project management fee was only intended to cover work within the base contract and that payments made for project managers and move supervisors were permitted based on a change order that provided a modified scope of work.

In the referenced change order (Change Order Number One), Section 3 Revised Scope of Work provides, "The Contractor's scope of work is revised to include the work as identified in the Change Proposal, and in general, includes the inventorying, packing, and relocating of existing assets at the 6th Grade Reconfiguration and NCLB Reconstituted Schools."

While Change Order Number One increased the contract's value by \$550,000 to cover the additional work, the Change Proposal makes no mention of project managers or move supervisors. Further, in the change order, Section 1 Prior Agreement provides, **"Except as expressly set forth herein, the Contract, as the same may have been amended from time to time prior hereto, shall remain unaffected and all of its terms, conditions and provisions shall remain in full force and effect** (Auditor's emphasis)."

Accordingly, the Auditor concludes that if the contractual prohibition on reimbursing the costs of project managers and move supervisors was no longer intended to apply when the change order was implemented, such language would have been clearly indicated in the change order. We also note that the change order was not executed, as required, by the contractor or the Chief Contracting Officer. When we requested an executed copy of the change order, DGS replied that, "The Project Manager was not able to locate the executed copy..."

Regarding DGS' assertion that "project management and move supervisor costs are also appropriate equitable adjustments under the Changes section of the contract," we note that such assertion is invalid because the \$112,691 payment was not made through the equitable adjustment process.

3. Develop a training program to instruct contracting officers, contracting officer technical representatives and contract administrators/monitors on properly executing contract award processes and requirements.

The Department of General Services' Response:

The same response made in recommendation 1.

Auditor's Response:

According to the Office of Contracting and Procurement website, the District of Columbia Supply Schedule (DCSS) "...is the city's multiple award schedule procurement program for providing commercial products and services to District government agencies." DCSS training is focused on successful operation of the DCSS program. The Auditor stands by the recommendation for training focused on monitoring/documenting contract deliverables and contractor performance, and certifying/authorizing contractor invoices for all DGS contract awards.

4. Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provide instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certification and authorization of contractor invoices.

The Department of General Services' Response:

DGS did not provide a response to this recommendation.

Auditor's Response:

The Auditor stands by the recommendation.

5. Contact the District of Columbia Attorney General regarding the repayment by MAI of the \$32,307 bonus that the District improperly paid MAI.

The Department of General Services' Response:

Although changes in the performance requirements necessary to receive the bonus should have been reflected in a contract modification, MAI satisfied the agency's revised timeline and deliverables as communicated to MAI by the agency, and accordingly, the bonus was deemed appropriate. Therefore, legal action to now collect the bonus from MAI would not be appropriate. In the future, the agency will reflect such changes as a modification of the contract signed by the Contracting Officer.

Auditor's Response:

The Auditor does not accept DGS' response to this recommendation.

DGS acknowledges that a contract modification should have been in place to support the bonus payment. Absent the required contract modification, there is no documentation of a "revised timeline" that MAI allegedly met. MAI was duly paid for relocating FFE&EM in accordance with the contract and should not have received an incentive bonus payment when the contract had not been modified.

Also, in stating that "...MAI satisfied the agency's revised timeline and deliverables as communicated to MAI by the agency ...," the implication is that the bonus payment was made based on an oral agreement. Per D.C. Official Code, (2001) Ed. § 2-359.01, an oral agreement without a valid written contract (a written contract modification in this case) is prohibited.

- 6. Develop and implement a training program for contract administrators, contracting officer technical representatives and contract administrators/monitors that provide instructions on the (1) monitoring/documenting of contract deliverables, (2) monitoring/documenting of contractor performance, and (3) certifying and authorizing contractor invoices.**

The Department of General Services' Response:

However, the agency disagrees with the basis for the recommendation and the finding that OPEFM paid \$5.8 million to contractors who failed to provide documentation for invoices. Contrary to the assertion provided in the Report, OPEFM utilized an RFP template, not certified payroll timesheets, as documentation for payments. OPEFM paid invoices based on the costs of tasks reflected in the RFP template.

Detailed review of invoices confirms that the "RFP Template" was used as the basis for evaluating and approving payments. Contractor's proposal includes a "loaded" RFP Template for each school which established the expected cost "baseline" for each school, and the original NTE value of the base contract. A copy of the "RFP Template" is attached; the contract's Unit Rates are established via this Exhibit C.

Auditor's Response:

According to the Office of Contracting and Procurement website, the District of Columbia Supply Schedule (DCSS) "...is the city's multiple award schedule procurement program for providing commercial products and services to District government agencies." DCSS training is focused on successful operation of the DCSS program. The Auditor stands by the recommendation for training focused on monitoring/documenting contract deliverables and contractor performance, and certifying/authorizing contractor invoices for all DGS contract awards.

The Auditor stands by the recommendation. The invoice payment provision under both the Motir and MAI contracts, Section 7.2 Supporting Documentation provides, “With the exception of the first progress payment, the Contractor shall submit with each invoice cost backup related to the immediately prior progress payment (i.e., the backup information submitted with the July 14th invoice shall be applicable to the time period covered by the July 1st invoice). Such back-up information shall include: (1) time sheets for all reimbursable labor; (2) logs showing the trucks and other reimbursable equipment used during that period; and (3) a log of all packing materials used during that period...”

Based on the contract, both contractors were required to provide supporting documentation to support invoice cost. Additionally, proper monitoring required DGS to review the invoices and supporting documentation prior to making payment. Neither contract referenced utilizing a “RFP Template,” as the basis for making payments. Further, the DGS RFP Template is actually a schedule of the contractually agreed upon reimbursable costs hourly and unit rates for field labor, truck and equipment costs, packing materials, and warehouse space. The OPEFM “RFP Template” is included in Appendix I as “Exhibit C” unit rates.

Appendix 1

Exhibit C

Unit Rates

LABOR & MATERIAL RATES		
ITEMS	Unit price or Straight Time Labor Rate	Over-Time Labor Rate*
BOXES		
10" x 12" x 15"	\$ 0.75	
18" x 12" x 10"	\$ 0.88	
16" x 16" x 16" Multi-Depth	\$ 1.20	
20" x 20" x 20" Multi-Depth	\$ 1.32	
BUBBLE		
4' X 250' X 1/2"	\$ 80.00	
CLEAR INDUSTRIAL TAPE		
2" x 110 yds x 2 mil	\$ 3.90	
STRETCH BUILT IN DISPENSER		
20" X 1000"	\$ 40.38	
Dumpster including pull and dump	\$ 750.00	
TRANSPORTATION		
Straight Truck (20 ft. and electric tailgate) w/ Driver - Hourly Rate	\$ 60.68	72.68
Tractor-Trailer (42 ft) w/ Driver - Hourly Rate	\$ 66.66	78.66
Fort Lift w/ Operator - Hourly Rate	\$ 41.70	53.70
WAREHOUSE/STORAGE RATES		
Warehouse Space per 1,000 SF per Week	\$ 250.00	
Warehouse Space per 1,000 SF per Month	\$ 850.00	
Warehouse Space per 1,000 Sf for 6 Months	\$ 6,000.00	
Storage on Std. Trailer per Week at Mover's Yard	\$ 250.00	
Storage on Std. Trailer per Month at Mover's Yard	\$ 750.00	
FIELD LABOR		

Labor for Inventory, Moving & Packing (Hourly Rate)	\$ 33.01	45.01
Plumber Labor (Hourly Rate)	\$ 105.33	117.33
Electrician Labor (Hourly Rate)	\$ 105.33	117.33
Labor of FF&E Purchasing Personnel (Hourly Rate)	\$ 100.00	
Foreman	\$ 60.30	\$87.00
Rigger	\$ 75.00	\$87.00

*The overtime charge for the above categories (not including the professional trades) applies after 5 p.m. and before 8:00 a.m. Monday –Friday ; all day on Saturday, Sundays and Holidays.